

DOCUMENT RESUME

ED 407 960

JC 970 287

AUTHOR Wasson, George
TITLE An Introduction to Modern Asian Economics. Asian Studies Instructional Module.
INSTITUTION Saint Louis Community Coll. at Meramec, MO.
PUB DATE 97
NOTE 22p.; For the related instructional modules, see JC 970 286-300.
PUB TYPE Guides - Classroom - Teacher (052)
EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Asian Studies; Community Colleges; *Course Content; Curriculum Guides; Economic Impact; Economics; *Economics Education; Foreign Countries; *International Trade; Introductory Courses; Learning Modules; Two Year Colleges
IDENTIFIERS *Asia

ABSTRACT

This curriculum outline presents the components of a course which introduces students to the modern economies of Asia and their relationship and interdependence with the United States economy. First, the goals and student objectives of the course are listed. Next, the course outline and assignments are presented, emphasizing the following basic concepts: constructing and analyzing a production possibilities curve; understanding the gross domestic product (GDP), which is the primary measurement of production in an economy; and the role of trade in economic development. The method for evaluating students is then described, followed by a list of discussion questions under the same three concepts of production possibilities curves, GDP, and trade. Next, activities and strategies for presenting material are cited, suggesting that the instructor utilize statistics on Asian economies taken from the United States Department of Commerce and use Asian economies as the real world applications of the economic concepts. The remainder of the outline describes the audiovisual aids used for the class and illustrates the connection of an Asian module to a standard introductory economics course. The outline also contains an annotated bibliography and economic tables for the United States and several Asian countries. (TGI)

* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *

ED 407 960

BUSINESS/ECONOMICS

"INTRODUCTION TO MODERN ASIAN ECONOMICS"

Use In: Introduction to Economics

BY

GEORGE WASSON

Asian Studies Instructional Module
St. Louis Community College at Meramec

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION
CENTER (ERIC)

X This document has been reproduced as
received from the person or organization
originating it.

☐ Minor changes have been made to improve
reproduction quality.

* Points of view or opinions stated in this docu-
ment do not necessarily represent official
OERI position or policy.

PERMISSION TO REPRODUCE THIS
MATERIAL HAS BEEN GRANTED BY

G. Wasson

TO THE EDUCATIONAL RESOURCES
INFORMATION CENTER (ERIC) "

BEST COPY AVAILABLE

JC 970 287

INTRODUCTION TO MODERN ASIAN ECONOMIES

INTRODUCTION TO ECONOMICS

This module is designed for use in any Economics course at the introductory or principles level. Because there is a required curriculum that must be covered in these courses, there are not many of us that could dedicate a week or two of the term to Asian studies. However, there is also the need to bring an international perspective to the course to relate the United States economy to the rest of the world. In this module major economic concepts are illustrated with examples from selected Asian economies. In this way you are able not only to give your students greater exposure to other countries, but you can also test their ability to apply the newly learned concepts. I have found in my classes that students appreciate the use of real world examples and in particular they are very curious about the modern Asian economies. Student response has been very favorable and I feel the course has an added dimension that stimulates the learning process.

1. GOALS

- To introduce the students to the modern economies of Asia and their relationship to the United States economy.
- To emphasize the interdependence of the economies of Asia and the United States.
- To acquaint students with the concept of mutually beneficial trade using the economic development of the Asian economies to illustrate comparative advantage.

2. STUDENT OBJECTIVES

- Students should be able to draw a production possibilities curve and compare an Asian economy with the United States. They should be able to analyze the resulting graph with respect to relative size and capacities of the two economies.
- Students should be able to use information about the development of the Asian economies to manipulate a production possibilities curve. This would include economic growth, economic decline, unemployment of resources, and inefficiency.
- Students should be able to analyze the policies of free trade with respect to the development of the Asian economies.

Students should be able to apply their knowledge of United State's Gross Domestic Product to an analysis of the difficulties of a direct comparison of the U.S. GDP to the Asian Gross Domestic Products.

3. OUTLINE AND ASSIGNMENTS

A. Production Possibilities Curves

After the students have learned the basic concepts of constructing a production possibilities curve we will apply those concepts to a real world example. Before the students are able to view any of the actual data I will draw a PPC for the United States and ask them to place another PPC for Japan on the same graph. They will have three choices for their placement; inside the PPC of the U.S., outside the PPC of the U.S., or on the same curve as the U.S. Once the class has decided on the PPC for Japan then we will look at the production statistics for the United States and Japan.

Usually a class will pick a PPC for Japan which lies outside of that for the U.S. because there is a misconception that the Japanese out-produce the U.S. We will then discuss underlying factors that influence the PPC for the Japanese economy. If the class has chosen an incorrect PPC for Japan we will draw another graph with the correct placement.

At this point we should be ready to choose another Asian country for comparison. The PPC for China can be drawn on the same graph with the U.S. and Japan. This is an interesting choice because China is a large country with a population of over one billion. For many students this will tempt them to place the PPC beyond those of the other two countries. I will then show them the production statistics for China and they will find that the PPC is far to the left because of low levels of capital, technology, and human capital.

B. Gross Domestic Product

One of the major components of macroeconomics is the measurement of production in the economy. The primary measurement used is the Gross Domestic Product or GDP. Even though most people use GDP to measure the welfare or well-being of the country it has many deficiencies. These problems are discussed as they apply to the U.S. We can take this an additional step by comparing the GDP of the U.S. and the Asian economies. Some of the deficiencies such as non-market activities will be even more pronounced in developing economies. For example, in the Philippines many people produce their own food, clothing, and shelter. When production takes place in the household and is not purchased in the market it is not picked up in the GDP. Therefore a direct comparison of the GDP of the Philippines and the U.S. is inaccurate. This would be true for any of the developing economies where this was the case.

Another problem with using direct comparisons of GDP is the differences in the cost of living. If we look at the GDP per capita of the United States and Japan for 1994 we would see that Japan has a higher level of \$37,536 compared to our \$25,818. On the surface we would say that the Japanese are almost 50% better off than the people of the U.S. However if we use an adjustment called Purchasing Power Parity where the cost of living is taken into account the GDP per capita for Japan falls to \$20,200. This is because the cost of living in Japan is much higher than that of the U.S. Discussion should then follow comparing countries which have a lower cost of living than the U.S.

C. Trade

The topic of trade is integrated into many of the units covered in an Introduction to Economics course. This material could be used either as a part of a stand alone unit or adapted for integration within the concepts of Production Possibilities or with GDP. Economic growth and development along with the interaction of economies through trade are natural extensions of the basic material.

For many of our students the idea of trade with other countries has a negative connotation. They feel that trade simply takes jobs from the United States and ships them overseas. The concept of comparative advantage is used to illustrate how trade can be beneficial for both parties. We will watch a video that shows how jobs migrate as the comparative advantage of a country changes. There is a case study, "IBM in Japan", that will also be used in this segment. This case details the changing market as IBM shifts its production focus in the U.S. from hardware to software.

There are two competing strategies for economic development: Import Substitution Industrialization (ISI) and Export Promotion. (ISI is also commonly referred to as infant industry protection.) We will watch a case study, "South Korea vs. Sri Lanka". South Korea developed their economy by promoting industries that focused on export markets. Sri Lanka developed their economy by focusing on industrial production to reduce imports. ISI protects the jobs and businesses from outside competition but also promotes inefficiency and leads to higher costs for the economy and the consumers.

4. EVALUATION

In our classroom discussions I will be assessing the students understanding of the basic economic concepts. One of the best ways of demonstrating that students understand the concept is to have them apply the concept to a different situation. In this case the primary concepts will be in terms of their impact and relationship to the United States economy. If they can then apply this knowledge to examples from the Asian economies they will be demonstrating a proficiency in the basic concepts.

I will also include examination questions using the Asian examples discussed in class. These questions would be in the category of real world applications and are of an advanced level of difficulty. Students' ability to answer this type of question requires them to use critical thinking skills and demonstrates their analytical skills.

5. DISCUSSION QUESTIONS

A. Production Possibilities Curves

- In some of the East Asian economies, such as South Korea and China, we have seen a much faster growth rate in their economies than in the United States. How could that differential be explained using the Production Possibilities Curve?
- If we look at the break-even point with respect to the production of capital goods, why would a country such as Japan want to be further along the PPC towards the Capital goods axis? We know that the opportunity cost is in terms of the loss of consumer goods. What is the advantage of giving up current consumer goods production?

B. Gross Domestic Production

- What would be the difficulties or challenges faced in calculating the GDP for a developing economy such as the Philippines? Do we face similar difficulties in obtaining accurate GDP figures for the United States?
- A friend of mine just showed me an article from the Wall Street Journal stating that the Japanese GDP per capita is much higher than the GDP per capita for the United States. She was puzzled because she had just worked in Japan for a year and felt that the standard of living in the U.S. is higher than it is in Japan. How would you explain this seeming discrepancy to her?

C. Trade

- I heard a guy on television the other day say that the United States should stop trading with other countries and keep all of those jobs at home. How would you explain to him that trade between countries is usually a win-win situation or the trade does not take place?
- What would be the impact on as a consumer in a country that was trying to develop using Import Substitution Industrialization?

5. ACTIVITIES/STRATEGIES FOR PRESENTING MATERIAL

Information on the Asian economies will be integrated into the course with the coverage of Production Possibilities, Gross Domestic Product, and International Trade. With the PPC and the GDP material, economic data from the Asian economies will be introduced using statistics from the U.S. Department of Commerce. We will use this material to compare and contrast it with what we have learned about the U.S. economy. Videotapes will be used in the segment on international trade, focusing on those case studies that are based on the Asian economies.

The strategy for the inclusion of Asian studies in the economics curriculum will be to use the Asian economies as the real world applications of the economic concepts. There is a benefit of presenting the Asian materials at this time in that the students will know the basic economics involved and will be able to concentrate on the application. I will be able to evaluate their understanding of the material while introducing them to the Asian economies.

7. AUDIO VISUAL AIDS

A. Transparencies

I have prepared transparencies for the United States and nine Asian economies. There are statistics for the years 1992-1994 where available. The statistics shown for each economy are Population, Gross Domestic Product, Real GDP Growth Rates, GDP per Capita, Inflation, Unemployment, and for the Asian countries the principal exports to the U.S. The data for all countries except Japan are from the U.S. Department of Commerce. The data for Japan are from the Federal Reserve Bank of St. Louis Report on International Trends and The Economic Outlook Japan 1995 by the Economic Planning Agency of the Japanese Government. The Internet URL for the Department of Commerce data is: <http://www.ita.doc.gov/region/asia/pacific/>

B. Videotapes

The videotapes to be used in this course are from the Annenberg/CPB Multimedia Collection from the series, "Inside the Global Economy", released in 1995.

1. Trade- An Introduction

This video covers the economic concept of comparative advantage using simple graphs and examples. Beginning economics students should not have any difficulty following the presentation. The first case study on this tape, "IBM in Japan", illustrates mutually beneficial trade in the computer industry. The case study does a good job showing how economies evolve as they develop and the comparative advantage shifts.

2. Developing Countries

This video has a good case study, "Korea vs. Sri Lanka", that illustrates the different strategies used for economic development. Sri Lanka isolated its economy following the strategy of Import Substitution Industrialization. After more than thirty years the end result has been a stagnant and inefficient economy. South Korea followed a different strategy of Export Promotion to develop their economy. The video is very pro-trade and must be viewed with this in mind. For example, when referring to the role of the South Korean government in economic development they only mention that the government had "responsible fiscal and monetary policies" to contain inflation. For balance refer to Hart-Landsbury, **The Rush to Development** or Mark Clifford, **Troubled Tiger**.

3. The Evolving World Economy

This video looks at some of the persistent myths about trade:

- The decline in manufacturing in the U.S. is because of international trade.
- The U.S. is dominated by services which hurt its competitiveness.
- The U.S. is no longer number one.

By examining these impressions about trade, this video provides a good overview of global trade and the importance to our economy.

The first case study on this tape, "China as an Economic Power", is an up-to-date view of the developing Chinese economy and its trade relations with other countries. The second case study, "The U.S. Computer Industry", shows the evolution of the industry from the 1950's to today and is a good follow-up to the case study, "IBM in Japan".

8. CONNECTIONS, COMPARISONS/CONTRASTS

This entire module is based on connecting the Asian economies to the standard course content. By using Asian examples as an integral part of the curriculum the students will become accustomed to thinking about economics in global terms. Every time that new material is introduced in the course the students are asked to compare and to contrast this with what they have learned about the United States economy. This should provide them with a wonderful opportunity to expand the horizons of their knowledge.

ANNOTATED BIBLIOGRAPHY

This is the complete annotated bibliography for this module with recommended student readings designated by an asterix.

1. Amsden, A. (1989). Asia's Next Giant: South Korea and Late Industrialization. New York: Oxford University Press.

Supports government subsidies for late entry and economic growth. Performance standards were set by the South Korean government and the actual industrialization was left to the private sector. This book addresses the achievements of the economic plan and is basically congratulatory in tone and content.

2. Brown, R., William T. (eds.) (1992) Modernization in East Asia: Political, Economic, and Social Perspectives. Westport, Conn.: Praeger Publisher.

A collection of essays with a social perspective applied to the economic development of East Asia. Looks at the conflicts among the East Asian countries and the outside influences of other countries, primarily the United States.

- * 3. Clifford, M. (1993). Troubled Tiger: Businessmen, Bureaucrats, and Generals in South Korea. Armonk, New York: M.E.Sharpe.

Clifford writes in a more personal style when telling of the economic development and problems in South Korea. The book has good documentation and an easy reading style. Many of the articles and books written about South Korea talk about the economic "miracle" and tend to gloss over or not mention that the fast rise of the South Korean economy was accomplished in large part by an authoritarian government. There were many sacrifices by the South Korean people and violations of civil liberties that would never be tolerated in the United States today.

- * 4. Dangler, C. (1993). The Pacific Rim Region: A World Marketplace Approach Through Trade and Investment. Lanham, Md.: Madison Books.

A broad but short overview of economic activity from Chile to North America to Asia to New Zealand. A large number of charts and tables showing bilateral trade and investment between the forty six nations of the Pacific Rim region.

5. Dunung, S.P. (1995). Doing Business in Asia: The Complete Guide. New York: Lexington Books.

One book coverage of current business conditions in the Asian countries with cultural tips and contacts to obtain further information on the individual countries.

* 6. East Asian Miracle: Economic Growth and Public Policy. World Bank Report, Oxford University Press, New York, 1993

An upbeat look at the East Asian economic development written in textbook style. This report concentrates on eight countries: Japan, the four tigers- Hong Kong, South Korea, Singapore, and Taiwan. Also included are Indonesia, Malaysia, and Thailand. Even though this report tends to be very pro-business and pro-development it does a good job at pointing out the advantages of growing economies. The higher standards of living do translate into dramatic increases in life expectancy and the overall healthiness of the populations of these countries.

* 7. Engholm, C. (1994). Doing Business in Asia's "China Triangle". Englewood Cliffs, NJ.: Prentice Hall.

This book concentrates on the problems of doing business in China, Hong Kong, and Taiwan. There are special concerns within this region because of Hong Kong's impending shift in 1997 to Chinese control and China's claim of Taiwan as a part of China.

8. Fewsmith, J. (1994). Dilemmas of Reform in China: Political Conflict and Economic Debate. Armonk, NY.: M.E. Sharpe.

Well-documented book on the reform of the Chinese economy since the 1970's. Details the differences of rural reform from the bottom up as opposed to the urban/industrial reform from the top down. Traces the changes in ideology that accompanied the enormous changes in the structure of the Chinese economy.

9. Goodman, D.S.G., and Gerald S. (eds.). (1994). China Deconstructs: Politics, Trade, and Regionalism. New York: Routledge.

Collection of essays that breakdown the Chinese economy, its development, and problems into close-up looks into the separate provinces of China. The provinces of China have huge differences in their people, businesses, and problems. This is sometimes overlooked when people try to analyze the Chinese economy as a whole instead of examining its separate parts.

10. Hart-Landsbury, M. (1993). **The Rush To Development: Economic Change and Political Struggle in South Korea.** New York: Monthly Press Review.

This book details the South Korean economic development from 1960-1990's. Hart-Landsbury presents a skeptical look at the fast track development of South Korea. He examines the state's control over credit, market entry, trade, and key industrial inputs. His conclusion is that even though South Korea has achieved tremendous economic success, the South Korean people have paid an unacceptably high price for their country's economic progress.

11. Lee, K. (1993). **New East Asian Economic Development: Interacting Capitalism and Socialism.** Armonk, NY.: M.E. Sharpe.

Compares and contrasts the varying historical and political backgrounds of the East Asian countries and their paths to economic development. Includes chapters on the capital formation process as these countries have invested in each others' economies.

- * 12. Price Waterhouse, (1991). **Doing Business in Taiwan,** New York: Price Waterhouse.

This series has published editions for most countries of the world, including editions on Taiwan, Hong Kong, Japan, China, and Singapore. These books are good for a quick look at the political systems, basic economics, industrial base, agriculture, taxation policies, and cultural tips. they were designed for the business traveler and are updated relatively frequently.

13. Nakamura, T. (1995). **The Postwar Japanese Economy: Its Development and Structure 1937-1994.** Tokyo: University of Tokyo Press.

A higher level presentation of the development of the Japanese economy with charts, graphs, and economic equations. Complete with breakdowns on household spending, research and development expenditures, industrial production, trade, and more. The first edition of this publication in 1981 was in multiple printings and read worldwide.

14. National Bureau of Economic Research. Baldwin, R., Ingersoll, R., and Woo-choong K., (eds.) (1988). **The United States in the World Economy,** "United States and Foreign Competition in the Developing Countries of the Pacific Rim" University of Chicago Press, Chicago, 1988.

This is a selection from the National Bureau of Economic Research Conference Report. This paper has charts, graphs, and tables comparing the United States and the developing countries of East Asia. A good statistical overview up to the mid 1980's.

15. Phongpaichit, P., Baker C. (1995). Thailand: Economy and Politics. New York: Oxford University Press.

An extensive look at the historical background of Thailand with respect to politics and the development of the modern Thai economy. Takes you from the "peasant century" of a basically agrarian economy to the present urban based economy.

* 16. Smith, D.B. (1995). Japan Since 1945: The Rise of an Economic Superpower. New York: St. Martin's Press.

Brief overview of Japan's economic development. Easy to read but not much depth or perspective.

17. White, G. (1993). Riding the Tiger: The Politics of Economic Reform in Post-Mao China. Stanford, CA.: Stanford University Press.

White has written extensively about the Chinese economy and has been published in many economic journals. In this book he provides a background on the ideological and political path to economic reform and on the failures of the "Maoist Developmental State" to increase production in the agricultural sector.

18. Wood, C. (1994). The End of Japan, Inc. and How the New Japan Will Look. New York: Simon and Schuster.

Wood was the Tokyo and New York bureau chief for the Economist. This is a somewhat radical presentation with predictions of the decline of Japan as an economic superpower. He backs up his predictions with a look at the structure of the Japanese economy and what he feels are the seeds for its decline, i.e. 21% of the Japanese white collar workforce is over 65 years old. This book provides an interesting viewpoint and provides a counterpoint to the many volumes written about Japan economic prowess.

UNITED STATES

Population: 260.7 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	6,020	6,343	6,738
REAL GDP (Growth Rate in Real US \$)	2.3%	3.1%	4.1%
GDP PER CAPITA	23,564	24,559	25,818
INFLATION	3.0%	3.0%	2.6%
UN- EMPLOY- MENT	7.4%	6.8%	6.1%

BEST COPY AVAILABLE

CHINA

Population: 1.19 Billion (1994)

	1993	1994	1995
GDP (Current US \$ in Billions)	309.5	417.6	502.0
REAL GDP (Growth Rate in Real US \$)	13.4%	11.5%	9.0%
GDP PER CAPITA	470	517	558
INFLATION	13.0%	17.0%	15.0%
UN- EMPLOY- MENT	2.6%	3.0%	3.5%

NOTES: 1992 Statistics Not Available;

***Principal Exports to US: (Electrical
Machinery, Footwear, Toys, Clothing)***

HONG KONG

Population: 6 Million

	1993	1994	1995
GDP (Current US \$ in Billions)	115.0	131.0	149.0
REAL GDP (Growth Rate in Real US \$)	5.9%	5.7%	5.5%
GDP PER CAPITA	19,385	21,711	23,882
INFLATION	8.5%	8.5%	8.5%
UN- EMPLOY- MENT	2.1%	2.0%	2.0%

NOTES: *1992 Statistics Not Available;*
Principal Exports to US: (Clothing,
Electronic Integrated Circuit, Office
Machines)

BEST COPY AVAILABLE

INDONESIA

Population: 190 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	126.4	143.4	157.2
REAL GDP (Growth Rate in Real US \$)	6.3%	6.5%	6.2%
GDP PER CAPITA	676	755	814
INFLATION	5.0%	10.2%	10.0%
UN- EMPLOY- MENT	3.2%	3.4%	3.4%

NOTES: *Underemployment average 37%;*
Principal Exports to US: (Clothing,
Footwear, Natural Rubber, Electronic
Goods)

JAPAN

Population: 125.5 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	4,631	4,660	4,692
REAL GDP (Growth Rate in Real US \$)	.3%	-.5%	.6%
GDP PER CAPITA	37,048	37,280	37,536
INFLATION	1.7%	1.5%	.7%
UN- EMPLOY- MENT	2.2%	2.5%	2.9%

***NOTES: Principal Exports to US: (Machinery,
Motor Vehicles, Consumer Electronics)***

PHILIPPINES

Population: 68.2 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	52.6	54.4	63.9
REAL GDP (Growth Rate in Real US \$)	.1%	2.1%	4.3%
GDP PER CAPITA	811.0	818.0	937.0
INFLATION	8.9%	7.6%	9.0%
UN- EMPLOY- MENT	9.8%	9.2%	9.5%

***NOTES: Principal Exports to US: (Electrical
Machinery, Textiles, Telecommunications
Equipment)***

SINGAPORE

Population: 3.34 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	45.8	50.0	N/A
REAL GDP (Growth Rate in Real US \$)	5.8%	9.9%	8.0%
GDP PER CAPITA	14,950	16,310	N/A
INFLATION	2.3%	2.4%	4.5%
UN- EMPLOY- MENT	2.0%	2.7%	1.7%

***NOTES: Principal Exports to US: (Data
Processing Machines; Office Equipment
Parts, Electronic Circuits)***

SOUTH KOREA

Population: 43.7 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	296.8	331.0	371.6
REAL GDP (Growth Rate in Real US \$)	5.0%	4.7%	7.6%
GDP PER CAPITA	6,801	7,500	8,350
INFLATION	6.2%	6.0%	6.1%
UN- EMPLOY- MENT	2.4%	2.4%	2.4%

***NOTES: Principal Exports to US: (Electronics,
Footwear, Machinery, and Automobiles)***

BEST COPY AVAILABLE

TAIWAN

Population: 20.7 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	206.6	216.4	234.2
REAL GDP (Growth Rate in Real US \$)	6.5%	6.2%	6.2%
GDP PER CAPITA	8,538	8,558	8,936
INFLATION	4.5%	2.9%	3.8%
UN- EMPLOY- MENT	1.5%	1.5%	1.5%

***NOTES: Principal Exports to US: (Machinery,
Electrical Equipment, Furniture, Toys,
Sports Equipment)***

THAILAND

Population: 58.3 Million

	1992	1993	1994
GDP (Current US \$ in Billions)	110.2	125.2	143.2
REAL GDP (Growth Rate in Real US \$)	7.9%	8.2%	8.5%
GDP PER CAPITA	1,807	2,114	2,396
INFLATION	4.5%	3.3%	5.0%
UN- EMPLOY- MENT	4.7%	3.2%	3.3%

***NOTES: Principal Exports to US: (Clothing,
Computers, Seafood, and Jewelry)***